BEFORE THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

In re:)
)
Promulgation of Air Quality)
Implementation Plans; State of) Docket No. EPA-Ro6-OAR-2015-0189
Arkansas; Regional Haze and)
Interstate Visibility Transport Federal)
Implementation Plan; Final Rule)
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Arkansas Electric Cooperative Corporation's Petition for Reconsideration and Request for Administrative Stay

In accordance with Section 307 of the Clean Air Act, 42 U.S.C. § 7607(d)(7)(B), Arkansas Electric Cooperative Corporation (AECC) respectfully requests that the U.S. Environmental Protection Agency (EPA) reconsider and grant an immediate administrative stay of the compliance deadline , and toll the effective date of certain requirements in the final rule entitled "Promulgation of Air Quality Implementation Plans; State of Arkansas; Regional Haze and Interstate Visibility Transport Federal Implementation Plan; Final Rule " (Final FIP), published at 81 Fed. Reg. 66332 on AECC understands that Entergy Arkansas, Inc. September 27, 2016. and Entergy submitted a comprehensive Mississippi Inc. petition for reconsideration and administrative stay of the Final FIP (Entergy Petition), and AECC incorporates by reference the Entergy Petition into this petition . In this petition, AECC specifically highlights the unique impact EPA's Final FIP would have on AECC's operation and ability to supply affordable power to its members.

I. Introduction

AECC is an Arkansas not -for-profit electric utility owned by 17 distribution cooperatives across the state of Arkansas (members), which in turn are owned by the utility customers they serve. AECC's mission is to provide reliable, affordable, responsible electric service to its members. As a result, AECC is a consumer advocate representing more than 38 percent of the residential consumers in Arkansas, i.e. approximately 520,000 end-use consumers. AECC's service territory extends into 74 of Arkansas's 75 counties, and covers more than 60 percent of the state's geographic area.

AECC owns more than 3500 megawatts (MW) of diverse generation resour ces including coal, natural gas, gas/oil, and hydropower. AECC also has access to 500 MW of wind, hydropower and biomass pursuant to purchased power agreements. AECC's Board has purposefully invested in a diverse array of generation resources in order to provide the most reliable and affordable electricity for its cooperative members across the state.

The wisdom of this resource diversification is evident in the fact that AECC's wholesale cost to its members is one of the lowest in the country at approximately 4.9 cents/kilowatt hour (kwh).¹ This affordability is absolutely necessary for the large proportion of AECC's low income households: Arkansas has the 9th lowest per capita income in the United States,² and 19.1 percent of its citizens³ and 26 percent of the state's children live below the poverty level .⁴ Since AECC serves the rural communities in the state and most of the areas in the Delta, the percentage of electric cooperative households and children in poverty is much higher than the state average served by investor-owned utilities.

The EPA published the Final FIP for Regional Haze for Arkansas on Tuesday, September 27, 2016. The Final FIP requires, among other things, installation of SO2 controls (scrubbers) on the units located at the Flint Creek Power Plant – which AECC owns jointly with American Electric Power's Southwestern Electric Power Company (AEP) – as well as the White Bluff S team Electric Station Units I and II in Redfield, Arkansas (White Bluff) and the Independence Steam Electric Station Units I and II in Newark, Arkansas (Independence) –all of which AECC co -owns with Entergy Corporation, including its operating company Entergy Arkansas, Inc. (EAI or Entergy).

White Bluff I and II and Independence I and II represent a total of approximately 1168 MW of generating capacity for AECC , out of a total of 3500 MW . These four units entered commercial operation between 1980 and 1984 , and could potentially operate indefinitely into the future absent economic or regulatory constraints. As a 35% owner of White Bluff and Independence, AECC will be forced to spend approximately \$700 million dollars to prepare to install the required controls. Collectively, EAI, AECC, and other co-owners of the units will be forced to spend approximately \$2 billion. Because of the extreme financial hardship AECC will face if the Final FIP is not stayed, AECC has already begun discussion about the possible retirement of both White Bluff and Independence in order to meet the imminent compliance deadline of October 27, 2021 , rather than add scrubbers to those units.

Regarding White Bluff, a recent economic impact study of this plant's contribution to the regional economy demonstrates that this plant provides hundreds of millions in annual revenues to businesses, schools, and the communities in some of the most impoverished counties in the country.⁵ The removal of these revenues from some of the poorest communities in the nation is unconscionable. These families, farms, schools and

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¹ See Arkansas Electric Cooperative Corporation Annual Report 2015 (received by the Arkansas PSC on April 29, 2016), available at http://www.apscservices.info/RcvdDocs/3_1_05022016_1_1.pdf (calculated by dividing the net revenue by the number of kilowatt hours).

² Michael Pakko, Personal Income – 2015Q4, ARKANSASECONOMIST.COM (March 24, 2016) (citing U.S. Bureau of Economic Analysis).

³ 2015 American Community Survey 1-Year Profiles, Individuals Below Poverty Level by State, WWW.CENSUS.GOV. (ranking Arkansas as the second state, after Louisiana, with the highest number of citizens living below the poverty level).

⁴ Arkansas Demographics of Poor Children, National Center for Children in Poverty, www.NCCP.org (last updated April 6, 2016) (state data calculated using the 2010-2014 American Community Survey, representing information from 2014).

⁵ Willlie Lee Brooks, Jr., *What is the Economic Impact of the White Bluff Electric Power Plant?* (May 30, 2014), available at www.arkleg.state.ar.us (accessible via google searching "Economic Impact Study of White Bluff").

businesses have nowhere to turn for replacement income. The loss of the White Bluff plant more than two decades early would have devastating impacts on this region and a large portion of Arkansas, particularly the members AECC serves.

AECC respectfully requests that EPA reconsider and grant an immediate administrative stay of a number of the requirements imposed on White Bluff and Independence. Specifically, AECC requests EPA reconsider and administratively stay the (1) best available retrofit technology (BART) requirements related to sulfur dioxide (SO2) emission control equipment at W hite Bluff, (2) 18 -month compliance deadline for installation of oxides of nitrogen (NOx) controls at these units, (3) NOx limit that applies at low loads and the three-hour averaging period for NOx compliance, and (4) imposition of reasonable progress controls on Independence.

With respect to the request for stay, any costs of compliance for AECC are passed directly to AECC's members , who in turn pass them along to their members —many of whom are a lready struggling financially. These expenditures would be wholly unnecessary if AECC's legal challenges to the FI P are successful. Not only does justice require a stay of the FIP, but these legal challenges are based on sound legal principles and are likely to succeed on the merits, and —making a stay in the public c interest and necessary to prevent irreparable harm to AECC and its me —mbers. In contrast, no significant harm will result to either EPA or the public from a stay of the FIP, given that the emission reductions and resulting visibility improvements contemplated under the Final FIP will be incremental at best.⁶

II. Request for Reconsideration

The Clean Air Act requires the Administrator of EPA to grant reconsideration of a proceeding if a petitioner "can demonstrate . . . it was impracticable to raise [an] objection" to a final action within the time for public comment or if "the grounds for such objection arose after the period for public comment (but within the time specified for judicial review) and if such objection is of central relevance to the outcome of the rule." 42 U.S.C. § 7607(d)(7)(B). As demonstrated below, EPA must grant reconsideration of the Final FIP, because EPA failed to provide adequate notice and opportunity to comment on requirements that are of central relevance to the Final FIP.

A. The 18-month compliance deadline for installation of low-NOx burners and separated overfire air (LNB/SOFA) was decided without due process and is arbitrary and capricious.

The Final FIP changed the timeframe for NOx burners' installation on five units from 3 years to 18 months without allowing the interested parties a ny opportunity to comment.⁷ This requirement is not a logical outgrowth⁸ of the proposed FIP, and such a tight compliance timeframe is both extremely difficult—if not impossible—to meet and

^{6 81} Fed. Reg. at 66386.

⁷ 81 Fed. Reg. at 66344, 66358. In the proposed FIP, EPA invited public comment on the appropriateness of the proposed compliance dates for emission limits of Domtar Ashdown Power Boiler No. 2. only. 80 Fed. Reg. 18988 ("We are proposing to require compliance with the emission limit no later than 3 years from the effective date of the final rule, and are inviting public comment on the appropriateness of this compliance date.") EPA did not invite comments on other proposed compliance dates for any other units. ⁸ See Envtl. Integrity Project v. EPA, 425 F.3d 992, 996 (D.C. Cir. 2005).

unprecedented. In fact, u pon review of other Regional Haze Rule FIPs issued by EPA, AECC believes that t he Arkansas Final FIP is the first time EPA has ever—issued a FIP requiring a compliance date of less than 3 years to install LNB/SOFA.

In the 2015 Proposed FIP, pub—lished at 80 Fed. Reg. 18944, EPA proposed to require installation and operation of LNB/SOFA on the W—hite Bluff and Independence units "no later than 3 years from the effective date of the final rule, consistent with [its] regional haze regulations." EPA justified this proposal, stating "as is generally the case for installation of NOx controls on EGUs, we expect that 3 years from the date of our final action would be sufficient time for Independence to install and operate LNB/SOFA controls at Units 1 and 2 and to comply with the associated emission limits." Moreover, in the Final FIP, EPA stated thatto determine what is "as expeditiously as practicable" for installation and operation of a control technology, "the states and EPA usually consider the amount of time it generally takes to install and operate—that type of technology at similar sources and the compliance dates that have been required for the installation and operation of the same type of control technology at similar sources in other regional haze actions."

Directly contrary to EPA's own statements in the Proposed FIP and the Final FIP, EPA finalized an 18 -month compliance deadline for White Bluff and Independence to install LNB/SOFA on five units based on comments from environmental groups stating that LNB/SOFA could be installed in six to eight months.

12 EPA agreed with the environmental groups with no further explanation and imposed the 18 -month deadline, as opposed to its own proposed 3-year compliance period.

For LNB/SOFA, three years — is generally considered the time required for installation. For Arkansas specifically, AECC agrees the three — -year time frame is "as expeditious as practicable," especially considering there are four units at White Bluff and Independence within the same regional transmission organization system that would be affected by outages during the period.

In any case, EPA's newly-imposed 18-month requirement is not feasible. Accelerated construction schedules would be required at additional expense to AECC's members. Outages to install the controls could not be optimally scheduled to minimize the cost of replacement energy and could also compromise system reliability . In short, the lack of due process in EPA's requested comment on 3 years, to an imposition of an 18-month deadline requires EPA to reconsider its unprecedented and im practicable compliance deadline.

^{9 80} Fed. Reg. at 18975.

¹⁰ 80 Fed. Reg. at 18996.

^{11 81} Fed. Reg. at 66376-77.

¹² 81 Fed. Reg. at 66342.

B. The NOx emission limits for White Bluff and Independence are not a logical outgrowth of the proposed rule and parties did not have a meaningful opportunity to comment.

In addition to EPA's failure to provide an opportunity to comment on the compliance date, EPA also failed to allow an opportunity to comment on the rolling 3 - hour average limit when the units operate below 50 percent capacity.

In its proposed FIP, EPA proposed a NOx BART emission limit of 0.15 lb/MMBtu on a 30-boiler-operating day rolling average based on the installation and operation of LNB/SOFA with a 3-year compliance deadline.¹³ Although EPA did not specifically sdicit comments on this proposal, Entergy proposed a rolling 30-boiler-operating day average emission rate of 1,342.5 lb NOx/hr at each coa l-fired unit at White Bluff and Independence to address the potential for a higher NOx emission rate at operating rates of less than 50% of unit capacity.¹⁴ And, in the alternative, Entergy suggested a bifurcated emission limit a limit of 1,342.5 lb NOx/hr, based on a rolling 30 -boiler operating day average for all unit ope ration (0-100% of capacity), and a limit of 0.15 lb NOx/MMBtu, based on a rolling 30-boiler operating day average, to include only those hours for which the unit was dispatched at 50% or greater of maximum capacity.¹⁵

The Final FIP requires the units at White Bluff and Independence to each meet NOx emission limits of 0.15 lb/MMBtu on a rolling 30-boiler operating day basis at loads of 50-100 percent of maximum heat input rating and a rolling 3-hour average limit of 671 lb/hr at loads of less than 50 percent of maximum heat input rating. ¹⁶ These emission limits, which must be met beginning April 27, 2018, are based on the installation of LNB/SOFA on each unit. ¹⁷ It cannot be said that the Final FIP's averaging period and emission limits are a logical outgrowth of the proposed rule, as EPA suggests. ¹⁸ For the reasons explained in Entergy's Petition, these limits and averaging periods are unworkable for low-load operation and will result in exceedances of the limit. ¹⁹

The Final FIP's averaging period and limits are arbitrary and capricious, unprecedented, and exceed the bounds of a "logical outgrowth" of the proposed FIP. As it stands, the Final FIP is "in violation of the procedures mandated by the notice and comment provisions of the APA." *Am. Fed'n of Labor & Cong. of Indus. Organizations v. Donovan*, 757 F.2d 330, 340 (D.C. Cir. 1985). Thus, EPA must revise the averaging time to a 30-boiler-operating day period and the limit to the achievable value specified in the Entergy Petition to allow the unavoidable NOxspikes that occur during start-ups and load

^{13 80} Fed. Reg. at 18970, 18997.

¹⁴ Entergy Arkansas, Inc. Comments on the Proposed Regional Haze and Interstate Visibility Report Federal Implementation Plan for Arkansas, Docket No. EPA-Ro6-OAR-2015-0189 (Aug. 7, 2015), at 51-52.

¹⁵ *Id*.

¹⁶ 40 C.F.R. §§ 52.173(c)(6)-(8); 81 Fed. Reg. at 66344

¹⁷ 81 Fed. Reg. at 66344.

¹⁸ 81 Fed. Reg. at 66344.

¹⁹ See Entergy Petition.

changes to level off over the averaging period, which results in a limit that is possible to achieve.

C. Independence should not have been included in the Final FIP.

AECC believes that the intent of the Regional Haze Rule is to place primary on BART-eligible units and the secondary emphasis during the first planning period emphasis on units that are not BART-eligible *only* if the state was not meeting its visibility goals.

Arkansas is meeting its visibility goals.²⁰ Further, EPA agrees that Independence is not a BART-eligible unit.21 Therefore, Independence should be excluded from the first regional haze planning period as controls are not required at this time. EPA did not appropriately analyze which sources, if any, should be controlled for reasonable progress on visibility and did not follow the procedures it has regularly used in other regional haze FIPs. Further, emission limits on Independence during the fi rst planning period are unnecessary to demonstrate reasonable progress as Arkansas already is below the glide path for the first planning period. In short, it is an impermissible overreach to include Independence in the Final FIP.

In its Final FIP, EPA cla imed that it began its reasonable progress analysis by determining "whether additional controls on Arkansas sources are necessary to make reasonable progress in the first regional haze planning period." ²² The EPA's analysis is flawed and unprecedented, given that the proposed emission limits for Independence, as well as other sources in Arkansas, are not necessary to achieve reasonable progress background visibility .23 The CAA requires regional haze implementation plans to determine whether reductions in asource's emissions are necessary to achieve reasonable progress for the planning period under consideration. 42 U.S.C. § 7491(b)(2). Moreover, ""neither the Clean Air Act nor the Regional Haze Rule requires source -specific analysis in the determination of reasonable progress goals." Texas v. EPA, 829 F.3d 405, 428 (5th Cir. 2016) (quoting Wildearth Guardians v. EPA, 770 F.3d 919, 944 (10th Cir. 2014)).

According to the IMPROVE monitoring data submitted by EAI,24 Caney Creek and Upper Buffalo already are meeting the EPA's proposed RPGs and Arkansas' RPGs and that visibility impairment continues to trend downward. Because Arkansas' Class I areas already surpassed the RPGs and the URP goals, reasonable progress controls during the

²⁰ Entergy Arkansas Inc., Supplemental Comments on the Proposed Regional Haze and Interstate Visibility Transport Federal Implementation Plan for Arkansas, Docket No. EPA-Ro6-OAR-2015-0189 (submitted on Aug. 8 2016). ADEQ also submitted data showing that Caney Creek and Upper Buffalo will be below the glide path in 2018. State of Arkansas, State Implementation Plan Review for the Five-Year Regional Haze Progress Report, at 55-56 (May 2015)

²¹ 81 Fed Reg. at 66336, 66350.

^{22 81} Fed. Reg. at 66350.

²³ See Entergy Petition.

²⁴ Entergy Arkansas Inc., Supplemental Comments on the Proposed Regional Haze and Interstate Visibility Transport Federal Implementation Plan for Arkansas, Docket No. EPA-Ro6-OAR-2015-0189 (submitted on Aug. 8 2016).

first planning period are not necessary to ensure reasonable progress towards the natural visibility goals, as stated in 42 U.S.C. § 7941(b)(2).

Essentially, it appears that, for certain regional haze SIPs and FIPs, EPA deemed a control to be "reasonable" if it is "cost-effective." This is concerning because it does not consider the costs in relation to visibility improvement or lack thereof. The Final FIP requires controls on Independence because it alleges the plant is "a significant source of SO2 and NOx" and controls would be cost-effective. Whether or not a plant is a significant source of visibility impairing pollutants is not a statutory factor that states must consider in evaluating reasonable progress controls and neither is cost-effectiveness a statutory standard that allows EPA to exceed its jurisdiction.

Specifically, EPA's assertion that Independence warrants additional controls relies entirely on the Agen cy's claim that the controls would be cost -effective, on a dollar per ton basis. 26 EPA gave no consideration to whether the controls and resulting emissions reductions would actually improve visibility in any Class I areas and, in fact, recognized that controls would not be necessary for Arkansas Class I areas to meet their URPs.²⁷ The absurd result is that EPA is proposing that a public utility and its customers be required to invest more than \$1 billion in power plant controls that would have negligible, if any, impacts on visibility in any Class I areas when such measures are unnecessary for Arkansas to achieve its reasonable progress goals. Such a jurisdictional overstep is not legally permissible and should be reconsidered.

III. Request for Administrative Stay

The legal standard for an administrative stay is broader than the standard for a judicial stay. The Clean Air Act provides that EPA may grant a stay if the agency has decided to reconsider the rule. 42 U.S.C. § 7607(d)(7)(B). Under the Administrative Procedures Act, EPA has authority to stay the requirements of a FIP when "justice so requires . . . pending judicial review." 5 U.S.C. § 705. No other conditions are imposed on the Agency's authority to issue a stay. AECC respectfully requests that EPA stay the Final -(8) and §§ 52.173(c)(24) FIP, specifically §§ 52.173(c)(6) -(26). A sthis section demonstrates, a stay of the FIP would prevent harms to AECC and its member-owners and will not negatively affect visibility. In addition, a stay will permitwell-justified further consideration of the Final FIP.

Absent an administrative stay AECC and other petitioners will suffer various forms of irreparable injury, harming AECC members and impairing Arkansas' economy. Moreover, the costs imposed by the Final FI P on electric generation capacity within Arkansas are substantial. The Final FIP will impose approximately \$2 billion in costs, and no discernible benefit will accrue during the relevant implementation period covered by the SIP submittal under review, whi ch ends in 2018. Owner/operators of five coalfired units within Arkansas are required to install scrubbers by October 2021 and LNB/SOFA by April 2018. These costs will likely challenge the economic viability of these units, and it is possible that some of the units will shut down rather than incur the costs

²⁶ Id.

^{25 81} Fed. Reg. at 66353.

²⁷ 80 Fed. Reg. at 18,992.

of installing the required controls causing additional costs in the form of replacement power.

Installing dry scrubbers on all four units would be a massive undertaking and an extreme financial and technological hardship for AECC. This work would have to begin immediately, as the process requires the entirety of the five years allotted in the Final FIP. Of the \$2.1 billion that Entergy estimates it would spend for scrubbers on White Bluff and Independence AECC is financially responsible for 35% of the total cost—or approximately \$700 million. Based on Entergy's estimates, AECC would need to spend \$9million within the first six months, and \$3million within first 12 months, \$84 million within 18 months, and \$156 million within 24 months. These estimates do not include the costs for LNB/SOFA which are required to be installed by April 2018.

If Entergy decides to deactivate the units, then AECC must procure replacement power. This would consist of designing, gaining regulatory approval for, constructing, and making operational a new alternative generating unit. Depending on the site that is selected for the new units, rights-of-way will likely need to be obtained. Transmission – both electrical and gas – would need to be planned and built to connect the new units to the grid. Specifically, to construct replacement generation as quickly as possible, AECC must select a location, prepare and submit environmental permit applications, prepar e requests for proposals, select vendors, and received Arkansas Public Service Commission approval.

Accordingly, in order to meet the October 2021 deadline, planning must begin immediately to limit, as much as possible, the duration of member exposure to market prices. In the meantime, even maintaining reliability through the purchase of power would require AECC to accelerate planned transmission projects which would only drive up the costs of those projects.

If all four units are shut down in October o f 2021, AECC would need to add an estimated 500 megawatts of firm generation capacity. Estimates of the cost of this new replacement generation would be approximately \$490 million. The levelized investment recovery costs of this generation capacity to AE CC's member cooperatives would be approximately \$34 million annually. AECC would also need to add an estimated additional 250 megawatts of replacement generation capacity by year 2026. This would require a further investment of approximately \$245 million — or a further increase of approximately \$17 million annually to AECC's members.

The Supreme Court has declared that "[o]ne would not say that it is even rational... to impose billions of dollars in economic costs in return for a few dollars in health or environmental benefits." *Michigan v. EPA*, 135 S. Ct. 2699, 2707 (2015). Moreover, courts have often issued stays to similarly situated petitioners challenging other FIPs. *See*, *e.g.*, *Texas v. United States EPA*, 829 F.3d 405, 424 (5th Cir. 2016) (staying implementation of Texas FIP imposing over \$2 billion in costs); *Oklahoma v. EPA*, 723 F.3d at 1206 -07 (staying implementation of rule imposing \$1.2 billion in costs).

In addition to the harm that will result absent a stay, AECC has a strong likelihood of success in establishing that EPA exceeded its statutory authority by imposing emission controls that will not affect the reasonable progress goal s covered by the first round of implementation plans. State implementation plans must be designed to achieve the

reasonable progress goals for the period covered by the plan, *i.e.* the December 2007 to July 31, 2018 period. *Texas v. United States EPA*, 829 F.3d at 429. When Arkansas submitted its plan in 2008, the regulations in effect required states "to set the emissions controls necessary to achieve the reasonable progress goal for 2018." *Id.* (stating that courts assess agency actions according to the effective statutes and regulations at the time of the relevant activity) (citing *Caring Hearts Personal Home Servs., Inc. v. Burwell,* 824 F.3d 968, 971 (10th Cir. 2016)).

In its Final FIP, EPA stated:

In this instance, we are taking final action on the Arkansas Regional Haze FIP 9 years after the state's initial SIP submission was due. As a result, only some of the control measures that we have determined are necessary to satisfy the BART and reasonable progress requirements will be installed by the end of 2018. Some controls will not be installed until 2021.²⁸

Measures that would be implemente d at the end of or after the 2018 period are not appropriate for inclusion in a FIP that is purportedly filling a gap in the 2008 SIP revision covering a period to end in 2018. The regional haze planning process requires "control strategies to cover an initial implementation period extending to the year, 2018, with a reassessment and revision of those strategies, as appropriate, every 10 years." ²⁹ Thus, it is improper for EPA to prescribe controls that are not required until the end of the first planning period, or thereafter, given that such controls will not affect the reasonable progress goal for the first implementation period. Even if such controls were determined appropriate for this planning period, the 18-month compliance date is unjustifiable, was implemented without allowing interested parties an opportunity to comment in contravention of due process, and materially deviates from other FIP compliance dates.

As demonstrated above, a stay is in the public interest and necessar y to prevent irreparable harm to AECC and its members. In contrast, no significant harm will result to either EPA or the public from a stay of the Final FIP, given that Arkansas already is below the glide path and many of the emission reductions and resulting visibility improvements contemplated under the Final FIP will be incremental at best. ³⁰ Thus, EPA should grant AECC's stay request.

IV. Conclusion

For the foregoing reasons, and the reasons set forth in Entergy's Petition, EPA should grant AECC's petition for reconsideration and administrative stay of the Final FP.

November 23, 2016

²⁸ 81 Fed. Reg. at 66410.

²⁹ 64 Fed. Reg. at 35,734.

³⁰ 81 Fed. Reg. at 66386.

Respectfully submitted,

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